

PENNSBURY SCHOOL DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2020

INTRODUCTORY SECTION

PENNSBURY SCHOOL DISTRICT

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PENNSBURY SCHOOL DISTRICT

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennsbury School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pennsbury School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennsbury School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Emphasis of Matter

As discussed in Note R, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Pennsbury School District's operational and financial performance. At this point, the Pennsbury School District cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison information on pages 62 and 63, schedule of the school district's proportionate share of the net pension liability on page 64, schedule of the school district's contributions on page 65, schedule of the school district's proportionate share of the PSERS net other postemployment benefit liability on page 66 schedule of the school district's PSERS other postemployment benefit plan contributions on page 67 and schedule of changes in the total other postemployment benefit plan liability and related ratios on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pennsbury School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the Pennsbury School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pennsbury School District's internal control over financial reporting and compliance.

Maillie LLP

Limerick, Pennsylvania
December 1, 2020

PENNSBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

PURPOSE

This section of the Pennsbury School District's (the "District") basic financial statements is intended to provide an overview and an objective analysis of the Pennsbury School District's financial activities for the year ended June 30, 2020. This analysis is based on currently known facts, decisions and conditions.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis introduces the District's basic financial statements. The basic financial statements include three kinds of reports. The first part contains District-wide financial statements. The second part contains fund financial statements. The third contains notes to the basic financial statements. The District also includes additional information to supplement the basic financial statements, such as this discussion and analysis.

The title and a brief description of each of the basic financial statements follow. Page number references for respective statements are also shown.

The Statement of Net Position reports assets, liabilities and net position for the District, including governmental activities and business-type activities (page 14).

The Statement of Activities reports the District's expenses, revenues, depreciation and other changes in net position during the year. This report focuses on the net cost of individual functions with reconciliation between the beginning net position and the ending net position (page 15).

The Balance Sheet, Governmental Funds, reports assets, liabilities and fund balance for the General Fund and Capital Projects Fund (page 16).

The Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities explains the differences in Governmental Funds balances reported on the Balance Sheet, Governmental Funds, and the total net position reported on the Statement of Net Position and Statement of Activities (page 17).

The Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds, reports the revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund (page 18).

The Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities provides a reconciliation of the changes in fund balances reported on the Statement of Revenues, Expenditures and Changes in Fund Balances to the changes in net position as reported on the Statement of Activities (pages 19 and 20).

The Statement of Net Position, Proprietary Funds, reports assets, liabilities and net position for Proprietary Funds (page 21).

The Statement of Revenues, Expenses and Changes in Net Position, Proprietary Funds, reports the revenues, expenditures and changes in net position for the Food Service Fund, Community Service Fund and the Aquatics Fund (page 22).

PENNSBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

CONDENSED FINANCIAL INFORMATION

A few financial statistics are addressed below to provide a snapshot overview of the District's finances for the year ended June 30, 2020. Prior year data and changes are included in order to provide some perspective on the current year data.

Assets

Assets are items of value owned by the District. Examples of these would include cash, investments, equipment and real property.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Difference</u>
Governmental Activities			
ASSETS			
Capital	\$ 111,791,988	\$ 120,087,709	\$ (8,295,721)
Other	58,600,424	62,365,652	(3,765,228)
Total Governmental Activities	<u>170,392,412</u>	<u>182,453,361</u>	<u>(12,060,949)</u>
Business-Type Activities			
ASSETS			
Capital	370,772	421,108	(50,336)
Other	738,342	620,701	117,641
Total Business-Type Activities	<u>1,109,114</u>	<u>1,041,809</u>	<u>67,305</u>
 TOTAL ASSETS	 <u>\$ 171,501,526</u>	 <u>\$ 183,495,170</u>	 <u>\$ (11,993,644)</u>

Capital assets are reported at acquisition cost less accumulated depreciation in the District-wide financial statements. The accumulated depreciation and resulting asset value do not, in most cases, reflect the current market economic value of capital assets. Asset values are often higher, especially in the case of real property like school buildings and major equipment like school buses.

The slight decrease in Governmental and Business-Type capital assets is attributed primarily to current year depreciation exceeding capital purchases.

The decrease in other Governmental Activities assets is attributed primarily to a decrease in cash and cash equivalents in the Capital Projects Fund. The increase in Business-Type activities assets is attributed primarily to the increase in cash and cash equivalents in the Food Service Fund.

PENNSBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Deferred Outflows of Resources

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Difference</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ 2,636,810	\$ 3,326,439	\$ (689,629)
Deferred outflows of resources, pension activity	46,893,000	53,538,000	(6,645,000)
Deferred outflows of resources, OPEB activity	<u>3,790,586</u>	<u>2,263,623</u>	<u>1,526,963</u>
	<u>\$ 53,320,396</u>	<u>\$ 59,128,062</u>	<u>\$ (5,807,666)</u>

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Liabilities

Liabilities are the financial obligations of the District. Examples of liabilities are accounts payable, accrued salaries and benefits, long-term debt and accrued compensated absences.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Difference</u>
Governmental Activities			
LIABILITIES			
Long-term	\$ 508,655,438	\$ 524,200,834	\$ (15,545,396)
Other	<u>40,957,620</u>	<u>47,083,895</u>	<u>(6,126,275)</u>
Total Governmental Activities	<u>549,613,058</u>	<u>571,284,729</u>	<u>(21,671,671)</u>
Business-Type Activities			
LIABILITIES			
Long-term	-	-	-
Other	<u>166,863</u>	<u>77,726</u>	<u>89,137</u>
Total Business-Type Activities	<u>166,863</u>	<u>77,726</u>	<u>89,137</u>
TOTAL LIABILITIES	<u>\$ 549,779,921</u>	<u>\$ 571,362,455</u>	<u>\$ (21,582,534)</u>

The decrease in Governmental Activities long-term debt is attributed primarily to the payment of principal on outstanding debt and decrease in net pension liability required by GASB 68.

The decrease in other Governmental Activities liabilities is primarily due to decreased unearned revenue at year-end. The increase in other Business-Type Activities liabilities is primarily due to the increase accounts payable balance at year-end.

PENNSBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Deferred Inflows of Resources

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Difference</u>
DEFERRED INFLOWS OF RESOURCES			
Pension activity	\$ 20,456,000	\$ 19,048,000	\$ 1,408,000
OPEB activity	<u>1,561,465</u>	<u>1,755,050</u>	<u>(193,585)</u>
	<u>\$ 22,017,465</u>	<u>\$ 20,803,050</u>	<u>\$ 1,214,415</u>

Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The difference between total assets and total liabilities results in a number which is the total net position in the District-wide statement of net position.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Difference</u>
NET POSITION			
Governmental activities	\$ (347,917,715)	\$ (350,506,356)	\$ 2,588,641
Business-type activities	<u>942,251</u>	<u>964,083</u>	<u>(21,832)</u>
TOTAL NET POSITION	<u>\$ (346,975,464)</u>	<u>\$ (349,542,273)</u>	<u>\$ 2,566,809</u>

A few points should be kept in mind when considering the value of net position.

First, the accumulated depreciation of fixed assets, mostly school buildings, amounts to \$200,386,764, up from \$189,159,889 in the previous year. This number reflects the fact that some of the District's older school buildings are fully depreciated. While all Pennsbury schools are serviceable and safe, capital investment is necessary to extend the useful lives of some schools. The School Board has embarked upon a program to do just that. In the past ten years renovations have been completed at Makefield Elementary School, Eleanor Roosevelt Elementary School, Pennwood Middle School. The ten-year facility plan details plans to renovate Pennsbury High School, including Falcon Stadium, Charles Boehm Middle School and Edgewood Elementary School.

Second, almost all capital assets are funded by the proceeds of a bond issue or a short-term note. Bond issues are normally amortized over a 20-year period. Short-term notes are generally amortized over a five- to ten-year period. When capital assets are acquired, they are depreciated over the estimated useful life of the asset using the straight-line method of depreciation. The years of depreciation vary depending on the classification of the asset. Land improvements, buildings and building improvements are depreciated over 20 years.

Furniture, fixtures and equipment are depreciated between 5 and 20 years, depending on the estimated useful life of the assets. Vehicles are depreciated over eight years using a salvage value of zero. The depreciation time period of capital assets typically matches the amortization period of the borrowed capital used for their purchase. This is done to prevent the obligation of paying for assets after they have been fully depreciated. In some cases, however, our fixed assets are depreciating quicker than the repayment of principal.

PENNSBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Third, assets in the form of cash and cash equivalents amount to \$42,743,785. This must be viewed in light of intended uses of this cash, such as payment of salaries, contracted services and construction. This cash should not be confused with unassigned fund balance.

Fourth, the net position is reported as a deficit of \$(346,975,464), which is primarily due to the District's actuarially determined net pension liability. However, despite the net position Pennsbury remains in good financial condition. The year-end General Fund total fund balance is \$18,487,603, and the unassigned fund balance of \$12,964,907 is considered ample to guard against revenue shortfalls and the need for emergency expenditures. Another indication of the District's financial health is this year's Moody's rating of Aa2. This rating reflects the District's very strong wealth and income indicators, good well-embedded management policies and moderate debt levels.

Total Program Revenue

General Fund revenue is categorized as being from three major sources. Specifically, these categories are local, state, federal and other. A summary of these revenue sources follows.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Difference</u>
Local	\$ 156,997,975	\$ 155,614,739	\$ 1,383,236
State	51,567,420	50,295,045	1,272,375
Federal	4,873,025	2,214,041	2,658,984

The primary source of revenue for the year ended June 30, 2020, remains local, which was 73.6% of the total revenue budget. The largest single source of revenue is Real Estate Taxes, which is about 92.9% of the total local revenue budget.

The state share of revenue amounted to 24.2% of the revenue budget for the year ended June 30, 2020, and the federal share of revenue was 2.2%.

The District's capital projects and capital equipment needs are supported primarily by debt capital and interest on invested cash.

Proprietary Fund revenue is generated primarily from the sale of meals and services.

PENNSBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

Program Expenditures

General Fund expenditures can be categorized in terms of major programs, that is, the general purposes of the expenditures. The two major examples are instruction and support services. A summary of General Fund major program expenditures follows.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Difference</u>
Instruction	\$ 137,941,593	\$ 134,660,919	\$ 3,280,674
Support services	56,624,754	55,389,253	1,235,501
Non-instructional services	1,177,152	1,243,507	(66,355)
Facilities acquisition and improvement	-	90,000	(90,000)
Debt service	15,077,364	15,226,740	(149,376)
Debt issuance cost	172,764	152,237	20,527
Other	20,352	5,115	15,237

The primary purpose of expenditures was for instruction at 64.7%. Most of the instructional expenditures were for the salary and benefits of instructional staff, about 53.1% of total expenditures

Expenditures for capital projects were provided almost entirely from the Capital Projects Fund, primarily the 2019A bond issuance.

Fund Balance

Fund balance in the balance sheet (Governmental Funds) is the difference between revenue and expenditures at the end of the year, combined with the fund balance from the beginning of the year. In other words, fund balance is the accumulated savings in a fund. Nonspendable fund balance reflects funds that are legally earmarked for a specific future use and are not available for appropriation. Restricted fund balance reflects funds that are earmarked for a specific purpose because of state or federal laws or externally imposed conditions by a grantor or creditor and are not available for appropriation. Committed fund balance reflects funds that the Board has taken formal action to earmark for a specific purpose and are not available for appropriation. Assigned fund balance reflects amounts that the Board or Administration has informally earmarked for a specific purpose. Although committed fund balance and assigned fund balance represent planned needs or actions, they are not legally or contractually required and can be changed by the Board if the need arises. Unassigned fund balance represents funds that have not been included in Nonspendable, Restricted, Committed, or Assigned Fund Balance and is available for appropriation. A more detailed reporting of the General Fund - Fund Balance is noted below.

	<u>June 30,</u>	
	<u>2020</u>	<u>2019</u>
Nonspendable	\$ 935,860	\$ 865,310
Committed	4,586,836	4,041,000
Unassigned	<u>12,964,907</u>	<u>13,464,990</u>
TOTAL FUND BALANCE	\$ <u>18,487,603</u>	\$ <u>18,371,300</u>

PENNSBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

For the year ended June 30, 2020, the fund balance increased \$116,303 compared to the prior year. Expressed as a percentage of the 2020-2021 budget, total fund balance was 8.5%, and unassigned fund balance was 5.95%. The District has developed a financial strategy for fund balance and attempts to maintain a reasonable fund balance to protect against revenue receipt shortfalls and/or emergency expenditure needs.

Significant Events and Risks

During the upcoming fiscal years, there are several events and risks, which may have a significant financial impact on the District.

The Taxpayer Relief Act (Act 1) enacted in June 2006 is still in effect. In accordance with Act 1, property tax increases are limited to an inflationary index that is determined and reported by the Pennsylvania Department of Education (PDE) in September of each year. The District cannot increase the tax rate beyond the index unless either the increase is approved by the voters in the school district at a public referendum or allowable exceptions outlined in the Act are approved by the PDE or Court of Common Pleas. The District does not currently levy an earned or personal income tax, but under the law, may consider placing a referendum question on the general election ballot in November of each odd-numbered year seeking approval to levy such tax for the purpose of funding homestead and farmstead exclusions as allowable under the law. For the last several years of Act 1, the District's tax rate increase has been below the index even though approved exceptions under the Act would have allowed tax rate increases above the index. In 2019-2020 the District did not apply for exceptions and did not increase real estate taxes.

The real estate tax installment payments required under Act 1 have had virtually no effect on the District's cash flow. This is due primarily to the low participation in installment payments, low interest rates and the forfeit of the 2% discount if the installment plan is selected.

The District insures employee health care on a self-funded basis. Costs associated with this arrangement have been significantly lower than a premium-based plan, and the District has had good claims experience the past few years. There still is, however, an increased expenditure risk associated with high cost cases as seen in 2016-2017. In other words, if there is an unusually high number of such cases, the District will have unusually high medical benefits costs as was the case this year and in 2013-2014. While stop loss insurance provides some protection, the risk still remains.

Energy costs have been very volatile over the past few years and have been a budgetary challenge. In addition, deregulation of electricity began January 1, 2011, in Pennsylvania. In an attempt to manage future energy costs, the District has contracted with an energy consultant to advise and assist the District with locking-in future energy prices. This action, coupled with energy conservation and joint purchasing of diesel fuel, gasoline and heating oil through the Bucks County Intermediate Unit enable the District to better manage this expenditure.

The Public School Employees Retirement System (PSERS) is primarily a defined benefit pension plan for Pennsylvania school employees. The employers' share of retirement contributions has traditionally been funded half by the Commonwealth and half by the District. PSERS projections indicate that if the established process for funding retirement contributions continues, increases in the employers' contribution rates will be needed in the future.

PENNSBURY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

The following table shows recent year employer’s contribution rates and amounts and the projection for the upcoming year.

<u>Fiscal Year</u>	<u>Rate*</u>	<u>Amount</u>
2014-2015	21.40%	\$ 19,556,055 (actual)
2015-2016	25.84%	23,782,701 (actual)
2016-2017	30.03%	27,245,000 (actual)
2017-2018	32.57%	32,135,000 (actual)
2018-2019	33.43%	32,320,000 (actual)
2019-2020	34.29%	34,835,363 (actual)
2020-2021	34.51% (budgeted)	35,330,786 (budgeted)

*Percent of PSERS qualified salaries and wages.

Interest rate risk remains a consideration because the District depends on interest earnings on invested cash. Interest rates over the last few years have made the projection of this revenue riskier than in years past. Due to the fact that interest rates have remained at a low level for an extended period of time, we have again been very conservative in the upcoming budget for this revenue item. The 2020-2021 budget reflects a significant decrease in interest earnings due to the impact of the COVID-19 Pandemic.

The Keystone Opportunity Improvement Zone (KOIZ) that was established at the former U.S. Steel Fairless Works site, now known as the Keystone Industrial Port Complex (KIPC), was designated as an eco-industrial park by the Environmental Protection Agency. This designation brought together a wide variety of manufacturing and service-oriented businesses, all of which are looking to enhance their environmental and economic performances by collaborating with each other and KIPC on the management of waste, energy, water and raw materials. At the end of the 2018-2019 school year the tax exemption status for these parcels expired. Tax revenue collected for these properties in the 2019-2020 school year amounted to a little over \$1.5 million

There is a significant risk of increased expenditures to support unfunded federal and state mandates. Such mandates have created requirements for remedial instruction, new instructional programs and increased assessments of students. These programs and their costs are likely to increase. Additionally, the Individuals with Disabilities Education Improvement Act has created increased demands on the District’s Special Education expenditure budget.

The District is typically faced with the challenge of complying with mandated cost increases and generating adequate revenue to cover those costs. This challenge has become increasingly more difficult in light of all the uncertainties in today’s economy. Nevertheless, the District is committed to improving the efficiency of school operations where they are administratively feasible and educationally prudent.

Finally, the District’s School Board, administration and staff remain strongly committed to the District’s long traditions of high quality education and sound financial management.

PENNSBURY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, please contact Christopher Berdnik, Chief Financial Officer at Pennsbury School District, PO Box 338, 134 Yardley Avenue, Fallsington, PA 19058, or (215) 428-4114.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 42,743,785	\$ 1,692,263	\$ 44,436,048
Taxes receivable	2,999,045	-	2,999,045
Internal balances	1,234,883	(1,234,883)	-
Due from other governments	9,652,714	98,577	9,751,291
Other receivables	1,034,137	74,627	1,108,764
Inventories	26,174	107,758	133,932
Other assets	909,686	-	909,686
Capital assets			
Land and site improvements	10,683,235	-	10,683,235
Buildings and building improvements	250,744,486	-	250,744,486
Furniture and equipment	50,751,031	2,386,287	53,137,318
Accumulated depreciation	(200,386,764)	(2,015,515)	(202,402,279)
TOTAL ASSETS	170,392,412	1,109,114	171,501,526
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	2,636,810	-	2,636,810
Deferred outflows of resources, pension activity	46,893,000	-	46,893,000
Deferred outflows of resources, OPEB activity	3,790,586	-	3,790,586
TOTAL DEFERRED OUTFLOWS OF RESOURCES	53,320,396	-	53,320,396
LIABILITIES			
Accounts payable	2,941,939	132,013	3,073,952
Accrued salaries and benefits	23,964,554	-	23,964,554
Unearned revenue	57,436	34,850	92,286
Other current liabilities	2,097,848	-	2,097,848
Accrued interest	2,326,921	-	2,326,921
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	9,270,000	-	9,270,000
Compensated absences	218,043	-	218,043
Lease purchase obligations	80,879	-	80,879
Portion due or payable after one year			
Bonds payable	145,710,000	-	145,710,000
Bond premiums and discounts, net	9,738,978	-	9,738,978
Compensated absences	2,262,570	-	2,262,570
Net pension liability	324,999,000	-	324,999,000
Net OPEB liability	25,944,890	-	25,944,890
TOTAL LIABILITIES	549,613,058	166,863	549,779,921
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	20,456,000	-	20,456,000
Deferred inflows of resources, OPEB activity	1,561,465	-	1,561,465
TOTAL DEFERRED INFLOWS OF RESOURCES	22,017,465	-	22,017,465
NET POSITION			
Net investment in capital assets	(45,001,720)	370,772	(44,630,948)
Unrestricted	(302,915,995)	571,479	(302,344,516)
TOTAL NET POSITION	\$ (347,917,715)	\$ 942,251	\$ (346,975,464)

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
Instruction				
Regular programs	\$ 86,333,071	\$ 92,354	\$ 11,785,188	\$ -
Special programs	42,891,599	-	12,022,355	-
Vocational education	7,751,566	-	337,970	-
Other instructional programs	1,808,460	-	124,111	-
Support services				
Pupil personnel services	9,403,702	-	1,265,300	-
Instructional staff services	4,660,916	-	510,131	-
Administration services	9,862,189	-	1,141,111	-
Pupil health services	3,127,661	-	542,228	-
Business services	2,131,739	-	239,086	-
Operation and maintenance of plant services	15,950,263	317,047	1,335,957	-
Student transportation services	9,193,430	-	2,676,701	-
Central services	3,663,411	-	300,676	-
Other services	119,900	-	-	-
Operation of non-instructional services				
Student activities	1,061,852	95,708	60,277	-
Community services	129,585	-	-	-
Facilities acquisition, construction and improvement services	9,776,218	-	-	-
Debt service	5,260,924	-	-	1,119,679
TOTAL GOVERNMENTAL ACTIVITIES	213,126,486	505,109	32,341,091	1,119,679
BUSINESS-TYPE ACTIVITIES				
Food service	2,867,087	1,508,198	1,328,274	-
Community services	33,270	58,053	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	2,900,357	1,566,251	1,328,274	-
TOTAL DISTRICT ACTIVITIES	\$ 216,026,843	\$ 2,071,360	\$ 33,669,365	\$ 1,119,679

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Public utility taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (74,455,529)	\$ -	\$ (74,455,529)
(30,869,244)	-	(30,869,244)
(7,413,596)	-	(7,413,596)
(1,684,349)	-	(1,684,349)
(8,138,402)	-	(8,138,402)
(4,150,785)	-	(4,150,785)
(8,721,078)	-	(8,721,078)
(2,585,433)	-	(2,585,433)
(1,892,653)	-	(1,892,653)
(14,297,259)	-	(14,297,259)
(6,516,729)	-	(6,516,729)
(3,362,735)	-	(3,362,735)
(119,900)	-	(119,900)
(905,867)	-	(905,867)
(129,585)	-	(129,585)
(9,776,218)	-	(9,776,218)
(4,141,245)	-	(4,141,245)
<u>(179,160,607)</u>	<u>-</u>	<u>(179,160,607)</u>
-	(30,615)	(30,615)
-	24,783	24,783
-	(5,832)	(5,832)
<u>(179,160,607)</u>	<u>(5,832)</u>	<u>(179,166,439)</u>
154,963,505	-	154,963,505
135,013	-	135,013
24,891,641	-	24,891,641
1,339,991	-	1,339,991
403,098	-	403,098
16,000	(16,000)	-
<u>181,749,248</u>	<u>(16,000)</u>	<u>181,733,248</u>
2,588,641	(21,832)	2,566,809
<u>(350,506,356)</u>	<u>964,083</u>	<u>(349,542,273)</u>
<u>\$ (347,917,715)</u>	<u>\$ 942,251</u>	<u>\$ (346,975,464)</u>

PENNSBURY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 36,295,086	\$ 6,448,699	\$ -	\$ 42,743,785
Taxes receivable	2,999,045	-	-	2,999,045
Due from other funds	1,234,883	-	2,500,000	3,734,883
Due from other governments	9,652,714	-	-	9,652,714
Other receivables	1,034,137	-	-	1,034,137
Inventories	26,174	-	-	26,174
Prepaid expenses	909,686	-	-	909,686
	<u>52,151,725</u>	<u>6,448,699</u>	<u>2,500,000</u>	<u>61,100,424</u>
TOTAL ASSETS	\$ 52,151,725	\$ 6,448,699	\$ 2,500,000	\$ 61,100,424
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,762,091	\$ 179,848	\$ -	\$ 2,941,939
Due to other funds	2,500,000	-	-	2,500,000
Unearned revenue	57,436	-	-	57,436
Accrued salaries and benefits	23,964,554	-	-	23,964,554
Other payables	2,097,848	-	-	2,097,848
	<u>31,381,929</u>	<u>179,848</u>	<u>-</u>	<u>31,561,777</u>
TOTAL LIABILITIES	31,381,929	179,848	-	31,561,777
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	2,282,193	-	-	2,282,193
FUND BALANCES				
Nonspendable				
Inventories	26,174	-	-	26,174
Prepaid expenses	909,686	-	-	909,686
Restricted				
Capital projects	-	6,268,851	-	6,268,851
Committed to				
Fund balance appropriation	4,586,836	-	-	4,586,836
Unassigned	12,964,907	-	2,500,000	15,464,907
	<u>18,487,603</u>	<u>6,268,851</u>	<u>2,500,000</u>	<u>27,256,454</u>
TOTAL FUND BALANCES	18,487,603	6,268,851	2,500,000	27,256,454
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	\$ 52,151,725	\$ 6,448,699	\$ 2,500,000	\$ 61,100,424

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2020

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 27,256,454
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land and site improvements	10,683,235
Buildings and building improvements	250,744,486
Furniture and equipment	50,751,031
Accumulated depreciation	(200,386,764)
Deferred debt expenses	-
<p>Deferred inflows and outflows of resources related to pension and OPEB activities are not financial resources and therefore not reported in the governmental funds.</p>	
	28,666,121
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(2,326,921)
Bonds payable	(154,980,000)
Bond premiums and discounts	(9,738,978)
Notes payable	-
Deferred amount on refunding	2,636,810
Compensated absences	(2,480,613)
Lease purchase obligations	(80,879)
Net pension liability	(324,999,000)
Net OPEB obligation	(25,944,890)
<p>Some of the District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	<u>2,282,193</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (347,917,715)</u>

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 156,997,975	\$ 61,629	\$ -	\$ 157,059,604
State sources	51,567,420	2,000,000	-	53,567,420
Federal sources	4,873,025	-	-	4,873,025
TOTAL REVENUES	<u>213,438,420</u>	<u>2,061,629</u>	<u>-</u>	<u>215,500,049</u>
EXPENDITURES				
Current				
Instruction	137,941,593	-	-	137,941,593
Support services	56,624,754	63,121	-	56,687,875
Operation of non-instructional services	1,177,152	-	-	1,177,152
Capital				
Facilities acquisition, construction and improvement services	-	2,385,508	-	2,385,508
Debt service				
Principal	9,250,000	-	-	9,250,000
Interest	5,827,364	-	-	5,827,364
Debt issuance cost	172,764	-	-	172,764
Refund of prior year revenues	20,352	-	-	20,352
TOTAL EXPENDITURES	<u>211,013,979</u>	<u>2,448,629</u>	<u>-</u>	<u>213,462,608</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,424,441</u>	<u>(387,000)</u>	<u>-</u>	<u>2,037,441</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bonds issued	12,590,000	-	-	12,590,000
Premium on refunding bonds issued	1,610,937	-	-	1,610,937
Payment to refunded bond escrow agent	(14,019,761)	-	-	(14,019,761)
Payment to sinking fund	(8,412)	-	-	(8,412)
Transfers in	16,000	-	2,500,000	2,516,000
Transfers out	(2,500,000)	-	-	(2,500,000)
Proceeds from sale of fixed assets	3,098	-	-	3,098
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,308,138)</u>	<u>-</u>	<u>2,500,000</u>	<u>191,862</u>
NET CHANGE IN FUND BALANCES	116,303	(387,000)	2,500,000	2,229,303
FUND BALANCES AT BEGINNING OF YEAR	<u>18,371,300</u>	<u>6,655,851</u>	<u>-</u>	<u>25,027,151</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,487,603</u>	<u>\$ 6,268,851</u>	<u>\$ 2,500,000</u>	<u>\$ 27,256,454</u>

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ 2,229,303

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$11,802,144) exceeded capital outlays (\$3,570,341) in the current period.

(8,231,803)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.

216,332

Repayment of bond and capital lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.

8,714,011

Bond and capital lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. This is the amount of bond and capital lease proceeds received in the current period, net of refundings.

1,885,000

Bond premiums provide current financial resources to Governmental Funds, while discounts and costs of issuance are uses of current financial resources in Governmental Funds. In the statement of net position, bond premiums and costs of issuance are deferred and amortized.

(26,553)

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave), special termination benefits (early retirement) and other postemployment benefits--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).

(71,862)

Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(756,018)

SUBTOTAL ADJUSTMENTS FORWARD

\$ 1,729,107

PENNSBURY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$	2,229,303
SUBTOTAL ADJUSTMENTS FORWARDED		1,729,107
The net effect of various transactions involving capital assets (i.e., sales, gains on dispositions) is to decrease net position.		(63,918)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the Governmental Funds:		
Pension plan expense		(954,000)
OPEB expense		<u>(351,851)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>2,588,641</u>

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2020

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Other Enterprise Funds	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,615,088	\$ 77,175	\$ 1,692,263
Due from other governments	98,577	-	98,577
Other receivables	74,627	-	74,627
Inventories	107,758	-	107,758
TOTAL CURRENT ASSETS	<u>1,896,050</u>	<u>77,175</u>	<u>1,973,225</u>
CAPITAL ASSETS			
Furniture and equipment	2,386,287	-	2,386,287
Accumulated depreciation	(2,015,515)	-	(2,015,515)
TOTAL CAPITAL ASSETS	<u>370,772</u>	<u>-</u>	<u>370,772</u>
TOTAL ASSETS	<u>\$ 2,266,822</u>	<u>\$ 77,175</u>	<u>\$ 2,343,997</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Due to other funds	\$ 1,202,822	\$ 32,061	\$ 1,234,883
Accounts payable	2,572	-	2,572
Unearned revenue	34,850	-	34,850
Other current liabilities	129,441	-	129,441
TOTAL CURRENT LIABILITIES	<u>1,369,685</u>	<u>32,061</u>	<u>1,401,746</u>
NET POSITION			
Net investment in capital assets	370,772	-	370,772
Unrestricted	526,365	45,114	571,479
TOTAL NET POSITION	<u>897,137</u>	<u>45,114</u>	<u>942,251</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,266,822</u>	<u>\$ 77,175</u>	<u>\$ 2,343,997</u>

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Other Enterprise Funds	
OPERATING REVENUES			
Charges for services	\$ 1,513,898	\$ 57,660	\$ 1,571,558
OPERATING EXPENSES			
Salaries	1,021,343	24,300	1,045,643
Employee benefits	188,724	1,929	190,653
Purchased professional and technical service	979	2,588	3,567
Purchased property service	68,646	-	68,646
Other purchased service	229,754	2,600	232,354
Supplies	1,287,412	1,853	1,289,265
Depreciation	62,549	-	62,549
Other operating expenses	7,680	-	7,680
TOTAL OPERATING EXPENSES	<u>2,867,087</u>	<u>33,270</u>	<u>2,900,357</u>
OPERATING INCOME (LOSS)	<u>(1,353,189)</u>	<u>24,390</u>	<u>(1,328,799)</u>
NONOPERATING REVENUES			
Interest and investment revenue	-	393	393
Federal sources	1,251,150	-	1,251,150
State sources	71,424	-	71,424
TOTAL NONOPERATING REVENUES	<u>1,322,574</u>	<u>393</u>	<u>1,322,967</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(30,615)</u>	<u>24,783</u>	<u>(5,832)</u>
TRANSFERS OUT	<u>-</u>	<u>(16,000)</u>	<u>(16,000)</u>
CHANGE IN NET POSITION	<u>(30,615)</u>	<u>8,783</u>	<u>(21,832)</u>
NET POSITION AT BEGINNING OF YEAR	<u>927,752</u>	<u>36,331</u>	<u>964,083</u>
NET POSITION AT END OF YEAR	<u>\$ 897,137</u>	<u>\$ 45,114</u>	<u>\$ 942,251</u>

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Other Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,497,368	\$ 57,660	\$ 1,555,028
Payments to employees	(1,210,067)	(26,229)	(1,236,296)
Payments to suppliers	(642,941)	(10,787)	(653,728)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(355,640)</u>	<u>20,644</u>	<u>(334,996)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(16,000)	(16,000)
Federal sources	1,177,369	-	1,177,369
State sources	71,424	-	71,424
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>1,248,793</u>	<u>(16,000)</u>	<u>1,232,793</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvements of capital assets	(12,213)	-	(12,213)
CASH FLOWS FROM INVESTING ACTIVITIES			
Earnings on investments	-	393	393
NET INCREASE IN CASH AND CASH EQUIVALENTS	880,940	5,037	885,977
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>734,148</u>	<u>72,138</u>	<u>806,286</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,615,088</u>	<u>\$ 77,175</u>	<u>\$ 1,692,263</u>

PENNSBURY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	Enterprise Funds		Total Proprietary Funds
	Food Service Fund	Other Enterprise Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (1,353,189)	\$ 24,390	\$ (1,328,799)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	62,549	-	62,549
Donated commodities used	202,459	-	202,459
(Increase) decrease in			
Other receivables	(24,601)	-	(24,601)
Inventories	(43,779)	-	(43,779)
Prepaid expenses	365,943	164	366,107
Increase (decrease) in			
Due to other funds	337,909	4,022	341,931
Accounts payable	(2,970)	(1,710)	(4,680)
Unearned revenue	8,071	(6,222)	1,849
Other current liabilities	91,968	-	91,968
	<u>\$ (355,640)</u>	<u>\$ 20,644</u>	<u>\$ (334,996)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
	<u>\$ (355,640)</u>	<u>\$ 20,644</u>	<u>\$ (334,996)</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES			
Donated commodities used	\$ 202,459	\$ -	\$ 202,459

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 34,353	\$ <u>1,127,741</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>\$ 1,127,741</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 34,353</u>	

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2020

	<u>Trust Fund</u>
ADDITIONS	
Contributions	\$ 11,000
Investment earnings	<u>350</u>
TOTAL ADDITIONS	11,350
DEDUCTIONS	
Scholarships awarded	<u>5,000</u>
CHANGE IN NET POSITION	6,350
NET POSITION AT BEGINNING OF YEAR	<u>28,003</u>
NET POSITION AT END OF YEAR	<u><u>\$ 34,353</u></u>

See accompanying notes to the basic financial statements.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Pennsbury School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. In addition, component units can be other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading. This report presents the activities of the Pennsbury School District. The District is not a component unit of another reporting entity nor does it have any component units.

Bucks County Technical School (the "Technical School") is a joint venture of the District. The Technical School is a separate legal entity that unites six school districts located in Bucks County, Pennsylvania, and is not reported as part of the District's reporting entity. The purpose of the joint venture is to provide technical training to students located in the Bucks County area and to share the costs associated with providing such training. Through a contractual arrangement with other participants, the District pays the Technical School for training given to District students. The financial report of the Technical School may be obtained by contacting the Technical School.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses of the Enterprise Funds include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - This is the general operating fund of the District. All activities of the District are accounted for through this fund except for those required to be accounted for in another fund. This fund is reported as a major fund.

Capital Projects Fund - This fund accounts for financial resources used to acquire or construct major capital projects. The revenue in this fund comes from the sale of bonds/notes or from capital appropriations from the General Fund under the Capital Reserve Fund provisions of the Pennsylvania School Code. This fund is reported as a major fund.

Debt Service Fund - This fund accounts for the accumulation of resources for and payment of general long-term debt principal, interest and related costs.

Proprietary Funds

Food Service Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund accounts for all revenues, food purchases and costs and expenses for the food service program. This fund is reported as a major fund.

Community Service Fund and Aquatics Fund - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The funds account for all revenues and costs and expenses of the community service program and the aquatics program.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Inventories and Prepaid Items

Inventories of the General Fund, which consist primarily of supplies, are valued at cost on the first-in, first-out basis. Inventories of the Food Service Fund are valued at the lower of cost, determined by the first-in, first-out method, or market except for donated inventories, which are valued at average fair market value.

Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventory and prepaid expenses are similarly reported in government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$2,500 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements, building and building improvements	20
Furniture, fixtures and equipment	5-20
Vehicles	8

Long-Term Obligations

In the government-wide financial statements and the Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Types statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Compensated Absences

District employees accumulate sick time in accordance with their applicable contracts. Compensated absences are reported as accrued in the government-wide, Proprietary Funds and Fiduciary Fund financial statements. Governmental Funds report only matured compensated absences payable to currently terminated employees and are included in accrued salaries and benefits.

The District has a contractual agreement whereby unused vacation of administrative staff up to a maximum of seven days is placed into a tax-sheltered annuity account for each employee at the end of each fiscal year. Deposits are calculated by multiplying unused vacation days by the employee's per diem rate.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

The District previously implemented GASB Statement No. 63, *Financial Reported on Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension and OPEB activity, reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pension and OPEB activity is the result of changes in assumptions, the difference between projected and actual investment earnings, changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and the actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The second item, deferred inflows related to pension and OPEB activity, are reported in the government-wide statement of net position. The deferred inflow related to pension and OPEB activity is the result of differences between expected and actual experience, changes in assumptions, the difference between projected and actual investment earnings, changes in the School District's proportionate share of total plan from year to year, and the difference between actual employer contributions and the School District's proportionate share of total contributions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

GASB Statement No. 54

The District previously adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by the Board of Directors. This includes the budget reserve account.
- **Assigned** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The Board has delegated this authority to the office of the Chief Financial Officer.
- **Unassigned** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 15). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Directors. The District does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B - CASH

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The carrying value is \$45,598,142. As of June 30, 2020, \$46,712,877 of the District's bank balance of \$46,962,877 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name; however, these funds are collateralized in accordance with Act 72. \$ 5,165,613

Uninsured funds with Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, they are rated by a nationally recognized statistical rating organization and are subject to an independent annual audit. \$ 41,547,264

Interest Rate Risk - The District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the District.

Taxes are levied on July 1 and payable in the following periods:

Discount period July 1 to September 1 - 2% of gross levy
 Face period September 1 to November 1
 Penalty period November 2 to collection - 10% of gross levy
 Lien date January 15

District taxes are billed and collected by the local elected tax collector. Property taxes attach as an enforceable lien on property as of July 1.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020, consisted of taxes, interest, other revenue and intergovernmental grants and entitlements. All taxes receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service Fund</u>
Real estate taxes	\$ 2,999,045	\$ -	\$ -
Due from other governments	9,652,714	-	98,577
Other receivables	<u>1,034,137</u>	<u>-</u>	<u>74,627</u>
	<u>\$ 13,685,896</u>	<u>\$ -</u>	<u>\$ 173,204</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2020, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 1,202,822
General Fund	Other Enterprise Funds	32,061
Debt Service Fund	General Fund	<u>2,500,000</u>
		<u>\$ 3,734,883</u>

The amounts between the Food Service Fund and the General Fund are General Fund monies used to pay the expenditures of the Food Service Fund. The amounts between the Debt Service Fund and the General Fund are Debt Service Fund monies used to pay the expenditures of the General Fund.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and site improvements	\$ 10,683,235	\$ -	\$ -	\$ 10,683,235
Capital assets being depreciated				
Buildings and building improvements	248,549,665	2,194,821	-	250,744,486
Furniture and equipment	50,014,698	1,375,520	(639,187)	50,751,031
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>298,564,363</u>	<u>3,570,341</u>	<u>(639,187)</u>	<u>301,495,517</u>
Accumulated depreciation				
Buildings and building improvements	(141,752,635)	(9,502,690)	-	(151,255,325)
Furniture and equipment	(47,407,254)	(2,299,454)	575,269	(49,131,439)
TOTAL ACCUMULATED DEPRECIATION	<u>(189,159,889)</u>	<u>(11,802,144)</u>	<u>575,269</u>	<u>(200,386,764)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>109,404,474</u>	<u>(8,231,803)</u>	<u>(63,918)</u>	<u>101,108,753</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>120,087,709</u>	<u>(8,231,803)</u>	<u>(63,918)</u>	<u>111,791,988</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	2,374,074	12,213	-	2,386,287
Accumulated depreciation	(1,952,966)	(62,549)	-	(2,015,515)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>421,108</u>	<u>(50,336)</u>	<u>-</u>	<u>370,772</u>
CAPITAL ASSETS, net	<u>\$ 120,508,817</u>	<u>\$ (8,282,139)</u>	<u>\$ (63,918)</u>	<u>\$ 112,162,760</u>

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

INSTRUCTION	
Regular programs	\$ 164,334
Special programs	4,020
Vocational education	3,068
Other instructional programs	2,577
SUPPORT SERVICES	
Pupil personnel services	744
Instructional staff services	400,095
Library services	3,451
Technology	67,072
Administration services	5,450
Pupil health services	708
Business services	2,747
Operation and maintenance of plant services	877,729
Student transportation services	714,868
Central services	31,672
NON-INSTRUCTIONAL SERVICES	
Athletics	20,919
Existing site improvements	171,442
Building acquisitions, new	12,003
Building acquisitions, replacement	<u>9,319,245</u>
	<u>\$ 11,802,144</u>
FOOD SERVICE FUND	<u>\$ 62,549</u>

NOTE G - LEASES

Capital Leases

The District has entered into a lease agreement as lessee for financing the acquisition of technology equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE G - LEASES (Continued)

The assets acquired through capital leases are as follows:

Computer equipment	\$ 395,270
Accumulated depreciation	<u>(316,216)</u>
	<u>\$ 79,054</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Year Ending June 30,</u>	
2021	\$ 82,791
Amount representing interest	<u>(1,912)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 80,879</u>

Operating Leases

The District leases several laptop computers under operating leases expiring through July 2020. The future lease obligations under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2021	<u>\$ 261,235</u>

Total expenditures under these leases amounted to \$716,521 for the year ended June 30, 2020.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE H - LONG-TERM DEBT

General Obligation Bonds and Notes

The District has issued various general obligation serial bonds and notes to finance capital projects and for advance refundings of bonds.

The District has \$154,980,000 of bonds payable at June 30, 2020. During the year, the District made principal payments of \$9,250,000 and interest payments of \$5,827,364 related to the bond issues outstanding.

Series A of 2019 - Current Refunding – November 26, 2019 - The District issued \$12,590,000 of general obligation bonds to currently refund a portion of the District's outstanding General Obligation Bonds, Series A of 2013 and series A of 2014, and pay the costs of issuing the bonds. The refunding resulted in an economic gain of \$168,173 and a cash flow savings of \$833,377.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30,</u>	<u>Face Value</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 9,270,000	\$ 9,270,000	\$ 6,344,630
2022	9,875,000	9,875,000	5,910,228
2023	10,600,000	10,600,000	5,389,277
2024	11,030,000	11,030,000	5,014,983
2025	11,070,000	11,070,000	4,562,547
2026 to 2030	56,270,000	56,270,000	15,654,133
2031 to 2035	38,980,000	38,980,000	5,500,312
2036 to 2037	7,885,000	7,885,000	305,024
	<u>\$ 154,980,000</u>	<u>\$ 154,980,000</u>	<u>\$ 48,681,134</u>

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE I - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>
GENERAL OBLIGATION BONDS AND NOTES		
Bonds		
Series of 2012	.040% to 5.000%	8/1/2025
Series of 2013A	1.000% to 3.100%	8/1/2025
Series of 2014A	.250% to 3.250%	8/1/2029
Series of 2015	.500% to 3.000%	8/1/2029
Series of 2015A	.500% to 3.250%	8/1/2029
Series of 2015B	1.000% to 4.000%	2/1/2031
Series of 2016	.750% to 5.000%	1/15/2022
Series of 2016A	.630% to 2.540%	10/1/2036
Series of 2017	.925% to 3.500%	7/15/2031
Series of 2017A	.950% to 3.000%	10/1/2036
Series of 2018	1.700% to 3.250%	8/1/2033
Series of 2018A	1.900% to 2.375%	8/1/2023
Series of 2019	1.650% to 3.050%	8/1/2034
Series of 2019A	2.000% to 4.000%	8/1/2029
TOTAL GENERAL OBLIGATION BONDS		
Deferred amount, bond premium and discounts, net		
TOTAL GENERAL OBLIGATION BONDS AND NOTES		
COMPENSATED ABSENCES		
CAPITAL LEASES		
NET PENSION LIABILITY		
NET OPEB LIABILITY		
TOTAL LONG-TERM LIABILITIES		

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 23,955,000	\$ -	\$ (2,410,000)	\$ 21,545,000	\$ 1,600,000
4,620,000	-	(4,620,000)	-	-
9,855,000	-	(9,855,000)	-	-
9,980,000	-	(5,000)	9,975,000	5,000
8,970,000	-	(5,000)	8,965,000	5,000
7,820,000	-	(535,000)	7,285,000	550,000
16,755,000	-	(4,930,000)	11,825,000	5,785,000
27,950,000	-	(110,000)	27,840,000	110,000
9,440,000	-	(120,000)	9,320,000	120,000
8,940,000	-	(275,000)	8,665,000	280,000
8,555,000	-	(5,000)	8,550,000	130,000
19,385,000	-	(5,000)	19,380,000	15,000
9,275,000	-	(235,000)	9,040,000	160,000
-	12,590,000	-	12,590,000	510,000
165,500,000	12,590,000	(23,110,000)	154,980,000	9,270,000
9,712,425	1,610,937	(1,584,384)	9,738,978	-
<u>175,212,425</u>	<u>14,200,937</u>	<u>(24,694,384)</u>	<u>164,718,978</u>	<u>9,270,000</u>
2,408,751	224,181	(152,319)	2,480,613	218,043
159,890	-	(79,011)	80,879	80,879
332,098,000	-	(7,099,000)	324,999,000	-
<u>23,872,491</u>	<u>2,072,399</u>	<u>-</u>	<u>25,944,890</u>	<u>-</u>
<u>\$ 533,751,557</u>	<u>\$ 16,497,517</u>	<u>\$ (32,024,714)</u>	<u>\$ 518,224,360</u>	<u>\$ 9,568,922</u>

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE J - DEFERRED INFLOWS OF RESOURCES

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred inflows of resources until such time as it becomes available. Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred inflows of resources.

At June 30, 2020, deferred inflows of resources consisted of delinquent taxes receivable of \$2,282,193.

NOTE K - PENSION PLAN

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the Pension Plan

Plan Description - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE K - PENSION PLAN (Continued)

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE K - PENSION PLAN (Continued)

Contributions

Members' Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2020, was 33.36% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$33,868,000 for the year ended June 30, 2020.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE K - PENSION PLAN (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the School District reported a liability of \$324,999,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the School District's proportion was 0.6947%, which was a decrease of 0.0029% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$34,822,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 1,790,000	\$ 10,772,000
Changes in assumptions	3,107,000	-
Net difference between projected and actual investment earnings	-	931,000
Changes in proportions	5,333,000	8,753,000
Difference between employer contributions and proportionate share of total contributions	2,795,000	-
Contributions subsequent to the measurement date	<u>33,868,000</u>	<u>-</u>
	<u>\$ 46,893,000</u>	<u>\$ 20,456,000</u>

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE K - PENSION PLAN (Continued)

\$33,868,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 250,000
2022	(5,940,000)
2023	(1,711,000)
2024	<u>(30,000)</u>
	<u>\$ (7,431,000)</u>

Actuarial Assumptions - The total pension liability as of June 30, 2019, was determined by rolling forward the System’s total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%
- Salary growth - effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Morality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE K - PENSION PLAN (Continued)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investment	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE K - PENSION PLAN (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School District's proportionate share of the net pension liability	\$ <u>404,822,000</u>	\$ <u>324,999,000</u>	\$ <u>257,408,000</u>

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

Payables to the Pension Plan - At June 30, 2020, the District had an accrued balance due to PSERS of \$3,956,452. This amount represents the Districts contractually obligated contributions for wages earned in April 2020 through June 2020.

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$843,000 for the year ended June 30, 2020.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported a liability of \$14,775,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .6947% percent, which was a decrease of .0029% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$703,000. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
GOVERNMENTAL ACTIVITIES		
Difference between expected and actual experience	\$ 83,000	\$ -
Changes in assumptions	490,000	439,000
Net difference between projected and actual investment earnings	25,000	-
Changes in proportions	344,000	481,000
Difference between employer contributions and proportionate share of total contributions	39,000	15,000
Contributions subsequent to the measurement date	843,000	-
	<u>\$ 1,824,000</u>	<u>\$ 935,000</u>

\$843,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2020	\$ (11,830)
2021	(11,830)
2022	(11,830)
2023	(12,830)
2024	26,670
Thereafter	<u>67,650</u>
	<u>\$ 46,000</u>

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

Actuarial Assumptions

The total OPEB liability as of June 30, 2019, was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%.
 - Eligible retirees will elect to participate Post age 65 at 70%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.20%
US core fixed income	83.1%	1.00%
Non-US developed fixed	<u>3.7%</u>	0.00%
	<u><u>100.0%</u></u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE L - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - PSERS (Continued)

The following presents the District's proportionate share of the net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ <u>14,773,000</u>	\$ <u>14,775,000</u>	\$ <u>14,777,000</u>

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Current Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net OPEB liability	\$ <u>16,832,000</u>	\$ <u>14,775,000</u>	\$ <u>13,070,000</u>

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System's website at www.psers.pa.gov.

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN

Plan Description

The School administers a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Plan Memberships

At June 30, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	67
Inactive plan member entitled to but not yet receiving benefits	-
Active plan members	<u>1,420</u>
	<u><u>1,487</u></u>

Funding Policy and Funding Status

The plan is an unfunded plan with no assets accumulated in a trust. Contributions to the plan are equal to benefit payments. For the year ending June 30, 2020 benefit payments paid as they came due were \$488,608.

Benefits Provided

The plan provides the following benefits:

For all administrators and confidential secretaries retired after June 30, 2019 who have reached PSERS retirement plus at least 5 years of service with the School District shall be eligible for benefits under the plan. Benefits include medical, prescription drug, and dental. The School District pays \$100 per month, with the retiree paying the remainder of the cost. Once the retiree is Medicare eligible, as long as the retiree carries the PSERS medical plan, the School District reimburses the retiree \$100 per month for coverage. Coverage for the member continues until Medicare age, and the School District subsidy continues for the life of the member. Spouse benefits cease at the later of member Medicare age or spouse Medicare age.

For former superintendent, benefits include medical, prescription drug, and dental. The District pays the full premium for single coverage until age 65 or Medicare eligible. The member pays the full premium for dental and vision coverage. Coverage continues until the member reaches Medicare age.

All members in the teachers' union and nonprofessional union who have reached PSERS retirement eligibility shall be eligible for benefits under the plan. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA. Coverage for the member continues until Medicare age, and spouse benefits cease at the later of member Medicare age or spouse Medicare age.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Assumptions

The following assumptions and actuarial methods and calculation were used:

Cost Method - Entry Age Normal as a Level Percentage of Pay

Mortality - RPH-2014 Total Dataset Mortality Table projected using Scale MP-2018

Discount Rate - 3.50% - Based on the Bond Buyers 20-Bond Index

Inflation Rate - 3.00%

Investment Return - Investment return was not utilized in this valuation since there are no assets.

Salary Increases - 3.50%

Health Care Trend- Health care trend rates are assumed to increase as follows:

<u>Time Period</u>	<u>Medical</u>
07/01/2020 - 6/30/2021	6.75%
07/01/2021 - 6/30/2022	6.50%
07/01/2022 - 6/30/2023	6.25%
07/01/2023 - 6/30/2024	6.00%
07/01/2024 - 6/30/2025	5.75%
07/01/2025 - 6/30/2026	5.50%
07/01/2026 - 6/30/2027	5.25%
07/01/2017 - 6/30/2028	5.00%
07/01/2028 - 6/30/2029	4.75%
07/01/2029 - 6/30/2020 & later	4.50%

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Percent Married - Actual spousal information was utilized for current retirees. For the active population, it was assumed that 25% of eligible members will have a covered spouse at retirement. Females are assumed to be two years younger than males.

Electing Coverage - It is assumed that 40% of employees will elect medical coverage at retirement.

It is assumed that 100% of employees will elect life insurance coverage at retirement. For those employees hired prior to July 1, 1986, it is assumed that they will elect the \$2,500 for the life rather than the \$5,000 until age 65.

Aging Factors - Aging factors used for developing starting costs are from "Health Care Costs - From Birth to Death," by Dale H. Yamamoto. The unisex rates in chart 5 were used for pre-65 costs. Some of the factors are shown below:

Age	Rate	Age	Rate
55	3.61%	60	4.46%
56	4.07%	61	4.74%
57	3.91%	62	4.52%
58	4.30%	63	4.76%
59	4.12%	64	4.00%

Retirement Rates - Rates of retirement are based off of the "2016 Experience Study Report" for the Pennsylvania PSERS (Public School Employees' Retirement System):

Age	Age 55 and 25 Years of Service		Superannuation	
	Male	Female	Male	Female
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

Disability - None assumed

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Withdrawal - Rates of withdrawal are based off of the “2016 Experience Study Report” for the Pennsylvania PSERS. The rates vary by age, gender, and years of service:

Male			
Age	Less than 5 Years of Service	5-9 Years of Service	Over 10 Years of Service
25	14.85%	5.70%	2.57%
30	12.74%	3.37%	2.57%
35	13.39%	3.21%	1.50%
40	14.49%	3.97%	1.34%
45	14.42%	4.53%	1.37%
50	14.31%	4.45%	1.92%
55	12.17%	4.43%	3.38%
60	12.43%	5.58%	5.57%

Female			
Age	Less than 5 Years of Service	5-9 Years of Service	Over 10 Years of Service
25	13.41%	7.47%	5.02%
30	13.81%	6.05%	4.02%
35	14.22%	5.53%	2.85%
40	11.79%	4.87%	1.60%
45	11.54%	4.51%	1.65%
50	11.66%	4.43%	2.06%
55	11.75%	4.38%	3.11%
60	12.25%	5.97%	6.40%

For Teachers with 25 years of service or more, the withdrawal rates are set to 0% at ages 50 and above.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Changes in Assumptions - In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.50%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ <u>9,448,491</u>
Changes for the year	
Service cost	583,861
Interest cost	281,565
Differences between expected and actual experience	1,460,982
Changes in assumptions	(116,401)
Benefit payment	<u>(488,608)</u>
Net changes	<u>1,721,399</u>
Balance at June 30, 2019	\$ <u><u>11,169,890</u></u>

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease <u>2.50%</u>	Current Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Total OPEB liability	\$ <u>11,260,564</u>	\$ <u>11,169,890</u>	\$ <u>10,720,648</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>Decrease</u>	<u>Rates</u>	<u>Increase</u>
Total OPEB liability	\$ <u>10,213,438</u>	\$ <u>11,169,890</u>	\$ <u>12,286,903</u>

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE M - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS - SINGLE EMPLOYER PLAN (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the School recognized OPEB expense of \$978,915. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,278,359	\$ 524,614
Changes in assumptions or other inputs	201,163	101,851
Benefit payments subsequent to the measurement date	<u>487,064</u>	<u>-</u>
	<u>\$ 1,966,586</u>	<u>\$ 626,465</u>

\$487,064 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the Year June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ 113,489
2022	113,489
2023	113,489
2024	113,489
2025	113,489
Thereafter	<u>285,612</u>
	<u>\$ 853,057</u>

NOTE N - NONSPENDABLE FUND BALANCE

At June 30, 2020, the District segregated the ending fund balance of the General Fund for standard fund balance reserves as follows:

Inventories	\$ 26,174
Prepaid expenses	<u>909,686</u>
	<u>\$ 935,860</u>

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE O - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance except for employee health care, which is insured by the District as explained below.

The District insures for employee health care on a cost-plus basis. The District also has commercial insurance for health care claims that exceed \$125,000 on any one individual in any one plan year.

Liabilities for health care cost are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The claims liability is calculated based on management's judgment of reasonable reserves for payment lags and catastrophic events. The claims liability is reported as part of other payables in the General Fund.

Changes in the program's claims liability for the year ended June 30, 2020, are presented below:

<u>Balance June 30, 2019</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance June 30, 2020</u>
\$ <u>2,600,796</u>	\$ <u>7,973,359</u>	\$ <u>(8,648,155)</u>	\$ <u>1,926,000</u>

Independence Blue Cross is the administrator of the District's healthcare plan. The District also maintains \$599,000 in an escrow account to indemnify Blue Cross in the event that the District terminates the plan or does not pay its claims. This escrow amount is reported as a prepaid asset in the General Fund. The program's claims liability amount is recorded as a liability in the General Fund.

NOTE P - EARLY RETIREMENT INCENTIVE PLAN

In addition to the pension benefits described in Note L, the District provided early retirement incentives to all professional and administrative employees who met specific age and year of service requirements through June 30, 2003. The benefits were adopted as part of the employment contracts negotiated between the unions and the School Board. The benefits offered are cash bonus payments to be applied to health insurance coverage. For the fiscal year ended June 30, 2020, there were no participants, and there was no expense related to the benefits.

NOTE Q - LITIGATION AND OTHER MATTERS

The District is a defendant in several actions related to tax billings, assessment valuations and labor grievances. In the opinion of the District's officials, the ultimate outcome of these actions will not have a material adverse effect on the District's financial statements.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE R - RISKS AND UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to have an effect on daily operations. Financial impact could occur though such potential impact is unknown at this time.

NOTE S - SUBSEQUENT EVENTS

In October 2020, the School District passed a resolution to issue General Obligation Bonds, Series of 2020 and Series A of 2020 in the amounts of \$21,975,000 and \$2,500,000. Proceeds of the bonds were used to finance the costs of refundings for General Obligation Bonds Series of 2015, Series A of 2015, Series B of 2015 and various capital improvements of the School District.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSBURY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 160,231,610	\$ 160,231,610	\$ 156,997,975	\$ (3,233,635)
State sources	52,275,059	52,275,059	51,567,420	(707,639)
Federal sources	2,671,693	2,671,693	4,873,025	2,201,332
TOTAL REVENUES	<u>215,178,362</u>	<u>215,178,362</u>	<u>213,438,420</u>	<u>(1,739,942)</u>
EXPENDITURES				
Instruction	139,277,810	139,277,810	137,941,593	1,336,217
Support services	58,090,281	58,090,281	56,624,754	1,465,527
Operation of non-instructional services	1,447,979	1,447,979	1,177,152	270,827
Debt service	17,903,292	17,903,292	15,077,364	2,825,928
Debt issuance cost	-	-	172,764	(172,764)
Refund of prior year revenues	-	-	20,352	(20,352)
TOTAL EXPENDITURES	<u>216,719,362</u>	<u>216,719,362</u>	<u>211,013,979</u>	<u>5,705,383</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,541,000)</u>	<u>(1,541,000)</u>	<u>2,424,441</u>	<u>3,965,441</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	12,590,000	12,590,000
Premium on refunding bonds issued	-	-	1,610,937	1,610,937
Payment to refunded bond escrow agent	-	-	(14,028,173)	(14,028,173)
Transfers in	-	-	16,000	16,000
Transfers out	-	-	(2,500,000)	(2,500,000)
Proceeds from sale of fixed assets	-	-	3,098	3,098
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(2,308,138)</u>	<u>(2,308,138)</u>
FUND BALANCE APPROPRIATION	<u>1,541,000</u>	<u>1,541,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>116,303</u>	<u>1,657,303</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>18,371,300</u>	<u>18,371,300</u>	<u>18,371,300</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 18,371,300</u>	<u>\$ 18,371,300</u>	<u>\$ 18,487,603</u>	<u>\$ 1,657,303</u>

See accompanying note to the budgetary comparison schedule.

PENNSBURY SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 31, the District Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
2. A public hearing is conducted to obtain taxpayer comments.
3. On or before June 30, the budget is legally enacted through passage of a resolution.
4. Legal budgetary control is maintained by the School Board at the department level. Transfers between departments, whether between funds or within a fund, or revisions that alter total revenues and expenditures of any fund must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control.
5. Budgetary data are included in the District's management information system and are employed as a management control device during the year.
6. The budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

For the year ended June 30, 2020, the District overspent from budgeted amounts in the general fund for the following line items:

- Debt issuance costs \$172,764
- Refund of prior year revenues \$20,352

These overages were made up with funds from other line items that were underspent during the year.

PENNSBURY SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY	<u>0.6947%</u>	<u>0.6918%</u>	<u>0.7234%</u>	<u>0.6997%</u>	<u>0.7155%</u>	<u>0.6992%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	<u>\$ 324,999,000</u>	<u>\$ 332,098,000</u>	<u>\$ 357,276,000</u>	<u>\$ 346,749,000</u>	<u>\$ 309,921,000</u>	<u>\$ 276,748,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 100,631,428</u>	<u>\$ 93,132,568</u>	<u>\$ 96,309,585</u>	<u>\$ 90,617,743</u>	<u>\$ 92,062,317</u>	<u>\$ 89,224,414</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>322.96%</u>	<u>356.59%</u>	<u>370.97%</u>	<u>382.65%</u>	<u>336.63%</u>	<u>310.17%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>55.66%</u>	<u>54.00%</u>	<u>51.84%</u>	<u>50.14%</u>	<u>45.64%</u>	<u>57.24%</u>

NOTES TO SCHEDULE

The School District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2019, 2018, 2017, 2016, 2015, and 2014).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

PENNSBURY SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 33,868,000	33,571,000	32,135,000	\$ 27,245,000	\$ 22,858,000	\$ 18,259,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>33,868,000</u>	<u>33,571,000</u>	<u>32,135,000</u>	<u>27,245,000</u>	<u>22,858,000</u>	<u>18,259,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 101,522,024</u>	<u>100,631,428</u>	<u>93,132,568</u>	<u>\$ 96,309,585</u>	<u>\$ 90,617,743</u>	<u>\$ 92,062,317</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>33.36%</u>	<u>33.36%</u>	<u>34.50%</u>	<u>28.29%</u>	<u>25.22%</u>	<u>19.83%</u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

PENNSBURY SCHOOL DISTRICT**SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE
PSERS NET OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY
LAST THREE FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
SCHOOL DISTRICT'S PROPORTION OF THE NET OPEB LIABILITY	<u>0.6947%</u>	<u>0.6918%</u>	<u>0.7234%</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	\$ <u>14,775,000</u>	<u>14,424,000</u>	\$ <u>14,739,000</u>
SCHOOL DISTRICT'S COVERED PAYROLL	\$ <u>100,631,428</u>	<u>93,132,568</u>	\$ <u>96,309,585</u>
SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>14.68%</u>	<u>15.49%</u>	<u>15.30%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	<u>5.56%</u>	<u>5.56%</u>	<u>5.73%</u>

NOTES TO SCHEDULE

The School District's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2019, 2018, and 2017).

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

PENNSBURY SCHOOL DISTRICT**SCHEDULE OF THE SCHOOL DISTRICT'S PSERS OTHER POSTEMPLOYMENT
BENEFIT PLAN CONTRIBUTIONS
LAST THREE FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 843,000	833,000	\$ 775,000
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>843,000</u>	<u>833,000</u>	<u>775,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
SCHOOL DISTRICT'S COVERED PAYROLL	<u>\$ 101,522,024</u>	<u>100,631,428</u>	<u>\$ 93,132,568</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>0.83%</u>	<u>0.83%</u>	<u>0.83%</u>

NOTE TO SCHEDULE

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

PENNSBURY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 583,861	566,965	\$ 579,956
Interest	281,565	291,485	237,451
Changes of benefit terms	-	-	(13,741)
Differences between expected and actual experience	1,460,982	-	(786,922)
Changes in assumptions	(116,402)	36,474	259,192
Benefit payments	<u>(488,608)</u>	<u>(419,104)</u>	<u>(566,224)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	1,721,398	475,820	(290,288)
TOTAL OPEB LIABILITY, BEGINNING	<u>9,448,491</u>	<u>8,972,671</u>	<u>9,262,959</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 11,169,889</u>	<u>9,448,491</u>	<u>\$ 8,972,671</u>
COVERED PAYROLL	<u>\$ 93,217,053</u>	<u>88,406,612</u>	<u>\$ 88,406,612</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>11.98%</u>	<u>10.69%</u>	<u>10.15%</u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan.

Changes in assumptions: In the 2019 actuarial valuation, the discount rate changed from 2.98% to 3.50%. The trend assumption was updated. It is now assumed that 40% of teachers and administrators will elect coverage, and 25% of retirees have spouse covered by the plan at retirement. In the 2018 actuarial valuation, the discount rate changed from 3.13% to 2.98%. Assumptions for salary, mortality, withdrawal and retirement were updated based on the new PSERS assumptions.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennsbury School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Pennsbury School District's basic financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pennsbury School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pennsbury School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pennsbury School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pennsbury School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maillie LLP

Limerick, Pennsylvania
December 1, 2020

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pennsbury School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Pennsbury School District's major federal programs for the year ended June 30, 2020. Pennsbury School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Pennsbury School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pennsbury School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Pennsbury School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Pennsbury School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

The management of the Pennsbury School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Pennsbury School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pennsbury School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Pennsbury School District
Bucks County, Pennsylvania

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maillie LLP

Limerick, Pennsylvania
December 1, 2020

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

PENNSBURY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
Passed through the Pennsylvania Department of Education:				
Title I	I	84.010	013-180331	Aug 30, 2017 Sept 30, 2019
Title I	I	84.010	013-190331	Aug 31, 2018 Sept 30, 2019
Title I	I	84.010	013-200331	Sept 3, 2019 Sept 30, 2019
TOTAL TITLE 1				
Title II	I	84.367	020-180331	Aug 30, 2017 Sept 30, 2018
Title II	I	84.367	020-190331	Aug 31, 2018 Sept 30, 2019
Title II	I	84.367	020-200331	Aug 31, 2019 Sept 30, 2020
TOTAL TITLE II				
Title III	I	84.365	010-180331	Aug 30, 2017 Sept 30, 2019
Title III	I	84.365	010-190331	Aug 31, 2018 Sept 30, 2019
Title III	I	84.365	010-190331	Aug 31, 2019 Sept 30, 2020
TOTAL TITLE III				
Title IV	I	84.424	144-180331	Aug 30, 2017 Sept 30, 2019
Title IV	I	84.424	144-190331	Aug 31, 2018 Sept 30, 2019
Title IV	I	84.424	144-200331	Aug 31, 2019 Sept 30, 2020
TOTAL TITLE IV				
Passed through the Bucks County Intermediate Unit:				
IDEA	I	84.027	062-18-0022	July 1, 2018 June 30, 2019
IDEA - Section 619	I	84.173	131-17-0022	July 1, 2018 June 30, 2019
IDEA	I	84.027	062-18-0022	July 1, 2019 June 30, 2020
IDEA - Section 619	I	84.173	131-17-0022	July 1, 2019 June 30, 2020
TOTAL SPECIAL EDUCATION CLUSTER				
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARD				
U.S. DEPARTMENT OF DEFENSE				
Air Force Junior ROTC Program	D	12.357	PA - 20171	July 1, 2018 June 30, 2019
Air Force Junior ROTC Program	D	12.357	PA - 20171	July 1, 2019 June 30, 2020
TOTAL AIR FORCE JUNIOR ROTC				
U.S. DEPARTMENT OF DEFENSE				
TOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>(Accrued) or Deferred Revenue at July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>(Accrued) or Deferred Revenue at June 30, 2020</u>	<u>Passed Through to Sub-Recipients</u>
\$ 716,729	\$ -	\$ 30,555	\$ 30,555	\$ 30,555	\$ -	\$ -
848,240	309,906	(80,032)	228,449	228,449	1,425	-
840,114	<u>387,783</u>	<u>-</u>	<u>620,421</u>	<u>620,421</u>	<u>(232,638)</u>	<u>-</u>
	<u>697,689</u>	<u>(49,477)</u>	<u>879,425</u>	<u>879,425</u>	<u>(231,213)</u>	<u>-</u>
210,105	-	973	973	973	-	-
219,475	79,144	(26,477)	52,667	52,667	-	-
201,163	<u>108,728</u>	<u>-</u>	<u>201,163</u>	<u>201,163</u>	<u>(92,435)</u>	<u>-</u>
	<u>187,872</u>	<u>(25,504)</u>	<u>254,803</u>	<u>254,803</u>	<u>(92,435)</u>	<u>-</u>
37,044	-	7,484	7,484	7,484	-	-
31,243	11,158	6,588	24,904	24,904	(7,158)	-
41,342	<u>15,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,901</u>	<u>-</u>
	<u>27,059</u>	<u>14,072</u>	<u>32,388</u>	<u>32,388</u>	<u>8,743</u>	<u>-</u>
16,303	8,151	2,697	10,848	10,848	-	-
52,121	14,892	12,075	16,576	16,576	10,391	-
63,486	<u>29,301</u>	<u>-</u>	<u>2,396</u>	<u>2,396</u>	<u>26,905</u>	<u>-</u>
	<u>52,344</u>	<u>14,772</u>	<u>29,820</u>	<u>29,820</u>	<u>37,296</u>	<u>-</u>
2,116,753	2,116,753	(2,116,753)	-	-	-	-
8,316	8,316	(8,316)	-	-	-	-
2,058,198	2,058,198	-	2,058,198	2,058,198	-	-
7,348	<u>7,348</u>	<u>-</u>	<u>7,348</u>	<u>7,348</u>	<u>-</u>	<u>-</u>
	<u>4,190,615</u>	<u>(2,125,069)</u>	<u>2,065,546</u>	<u>2,065,546</u>	<u>-</u>	<u>-</u>
	<u>5,155,579</u>	<u>(2,171,206)</u>	<u>3,261,982</u>	<u>3,261,982</u>	<u>(277,609)</u>	<u>-</u>
59,735	6,030	(6,030)	-	-	-	-
63,112	<u>55,065</u>	<u>-</u>	<u>63,112</u>	<u>63,112</u>	<u>(8,047)</u>	<u>-</u>
	<u>61,095</u>	<u>(6,030)</u>	<u>63,112</u>	<u>63,112</u>	<u>(8,047)</u>	<u>-</u>
\$	<u>61,095</u>	<u>(6,030)</u>	<u>63,112</u>	<u>63,112</u>	<u>(8,047)</u>	<u>-</u>

PENNSBURY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF PUBLIC WELFARE				
Passed through the Pennsylvania Department of Public Welfare				
Medical Assistance ACCESS	I	93.778	N/A	July 1, 2018 June 30,2019
Medical Assistance ACCESS	I	93.778	N/A	July 1, 2019 June 30,2020
TOTAL MEDICAID CLUSTER				
U.S. DEPARTMENT OF PUBLIC WELFARE				
TOTAL FORWARD				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Pennsylvania Department of Agriculture:				
National School Lunch Program	I	10.555	N/A	July 1, 2019 June 30, 2020
Passed through the Pennsylvania Department of Education:				
National School Lunch Program	I	10.555	N/A	July 1, 2018 June 30, 2019
National School Lunch Program	I	10.555	N/A	July 1, 2019 June 30, 2020
TOTAL NATIONAL SCHOOL				
Breakfast Program	I	10.553	N/A	July 1, 2018 June 30, 2019
Breakfast Program	I	10.553	N/A	July 1, 2019 June 30, 2020
TOTAL BREAKFAST PROGRAM				
TOTAL CHILD NUTRITION CLUSTER				
U.S. DEPARTMENT OF AGRICULTURE				
SUBTOTAL FORWARD				

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>(Accrued) or Deferred Revenue at July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>(Accrued) or Deferred Revenue at June 30, 2020</u>	<u>Passed Through to Sub-Recipients</u>
\$ 54,021	\$ 28,049	\$ (28,049)	\$ -	\$ -	\$ -	\$ -
23,223	<u>23,223</u>	<u>-</u>	<u>23,223</u>	<u>23,223</u>	<u>-</u>	<u>-</u>
	<u>51,272</u>	<u>(28,049)</u>	<u>23,223</u>	<u>23,223</u>	<u>-</u>	<u>-</u>
	<u>51,272</u>	<u>(28,049)</u>	<u>23,223</u>	<u>23,223</u>	<u>-</u>	<u>-</u>
N/A	(a) 210,520	(b) 26,789	202,459	(c) 202,459	(d) 34,850	-
N/A	174,385	(174,385)	-	-	-	-
N/A	<u>804,896</u>	<u>-</u>	<u>863,040</u>	<u>863,040</u>	<u>(58,144)</u>	<u>-</u>
	<u>1,189,801</u>	<u>(147,596)</u>	<u>1,065,499</u>	<u>1,065,499</u>	<u>(23,294)</u>	<u>-</u>
N/A	37,497	(37,497)	-	-	-	-
N/A	<u>148,894</u>	<u>-</u>	<u>185,651</u>	<u>185,651</u>	<u>(36,758)</u>	<u>-</u>
	<u>186,391</u>	<u>(37,497)</u>	<u>185,651</u>	<u>185,651</u>	<u>(36,758)</u>	<u>-</u>
	<u>1,376,192</u>	<u>(185,093)</u>	<u>1,251,150</u>	<u>1,251,150</u>	<u>(60,052)</u>	<u>-</u>
\$	<u>1,376,192</u>	<u>(185,093)</u>	<u>1,251,150</u>	<u>1,251,150</u>	<u>(60,052)</u>	<u>-</u>

PENNSBURY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date
U.S. DEPARTMENT OF EDUCATION				
TOTAL FORWARDED				
U.S. DEPARTMENT OF DEFENSE				
TOTAL FORWARDED				
U.S. DEPARTMENT OF PUBLIC WELFARE				
TOTAL FORWARDED				
U.S. DEPARTMENT OF AGRICULTURE				
SUBTOTAL FORWARDED				
Passed through the Pennsylvania Department of Education				
Nat'l School Lunch Program	I	N/A	N/A	July 1, 2018 June 30, 2019
Breakfast Program	I	N/A	N/A	July 1, 2018 June 30, 2019
Nat'l School Lunch Program	I	N/A	N/A	July 1, 2019 June 30, 2020
Breakfast Program	I	N/A	N/A	July 1, 2019 June 30, 2020
TOTAL STATE SHARE				
TOTAL FEDERAL AND CERTAIN STATE AWARDS				
LESS STATE SHARE				
TOTAL FEDERAL AWARDS				

Footnotes:

- (a) Total amount of foods received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2019.
- (c) Total amount of foods used.
- (d) Ending inventory at June 30, 2020.

Source Codes:

I = Indirect Funding

See accompanying notes to the schedule of expenditures of federal and certain state awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>(Accrued) or Deferred Revenue at July 1, 2019</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>(Accrued) or Deferred Revenue at June 30, 2020</u>	<u>Passed Through to Sub-Recipients</u>
\$ -	\$ <u>5,155,579</u>	\$ <u>(2,171,206)</u>	\$ <u>3,261,982</u>	\$ <u>3,261,982</u>	\$ <u>(277,609)</u>	\$ <u>-</u>
-	\$ <u>61,095</u>	\$ <u>(6,030)</u>	\$ <u>63,112</u>	\$ <u>63,112</u>	\$ <u>(8,047)</u>	\$ <u>-</u>
-	<u>51,272</u>	<u>(28,049)</u>	<u>23,223</u>	<u>23,223</u>	<u>-</u>	<u>-</u>
-	<u>1,376,192</u>	<u>(185,093)</u>	<u>1,251,150</u>	<u>1,251,150</u>	<u>(60,052)</u>	<u>-</u>
N/A	12,832	(12,832)	-	-	-	-
N/A	2,540	(2,540)	-	-	-	-
N/A	57,967	-	59,972	59,972	(2,005)	-
N/A	<u>9,782</u>	<u>-</u>	<u>11,453</u>	<u>11,453</u>	<u>(1,671)</u>	<u>-</u>
	<u>83,121</u>	<u>(15,372)</u>	<u>71,425</u>	<u>71,425</u>	<u>(3,676)</u>	<u>-</u>
	6,727,259	(2,405,750)	4,670,891	4,670,891	(349,384)	-
	<u>(83,121)</u>	<u>15,372</u>	<u>(71,425)</u>	<u>(71,425)</u>	<u>3,676</u>	<u>-</u>
\$	<u><u>6,644,138</u></u>	<u><u>(2,390,378)</u></u>	<u><u>4,599,466</u></u>	<u><u>4,599,466</u></u>	<u><u>(345,708)</u></u>	<u><u>-</u></u>

See notes to the schedule of expenditures of federal and certain state awards.

PENNSBURY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND CERTAIN STATE AWARDS
YEAR ENDED JUNE 30, 2020

NOTE A - GENERAL

The accompanying schedule of expenditures of federal and certain state awards presents the activity of all federal financial assistance programs of the Pennsbury School District. The District reporting entity is defined in Note A to the District's basic financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included on the schedule.

NOTE B - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and certain state awards is presented using the modified accrual basis of accounting, which is described in Note A to the District's basic financial statements.

NOTE C - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of revenue per the schedule of expenditures of federal and certain state awards to the basic financial statements:

GENERAL FUND	
Local sources*	\$ 2,065,545
Federal sources	1,282,771
 FOOD SERVICE FUND	
Federal sources	<u>1,251,150</u>
TOTAL FEDERAL ASSISTANCE	<u>4,599,466</u>
 FOOD SERVICE FUND	
State sources	<u>71,425</u>
TOTAL FEDERAL AND STATE AWARDS	<u><u>\$ 4,670,891</u></u>

*IDEA grants

NOTE D - INDIRECT COST RATES

The School District has not elected to use the 10% de minimis direct cost rate as allowed in the Uniform Guidance, Section 414.

PENNSBURY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the Pennsbury School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Pennsbury School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance With the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for the Pennsbury School District expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR 200.156(a).
7. The programs tested as major programs include:

Program	CFDA
Special Education Cluster (IDEA) Title I	84.027 / 84.173 84.010
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. Pennsbury School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.